Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)	
	)	
CONNECT AMERICA FUND	)	**WC Docket No. 10-90**
	)	

COMMENTS OF THE INDEPENDENT TELEPHONE & TELECOMMUNICATIONS ALLIANCE

The Independent Telephone & Telecommunications Alliance ("ITTA") hereby submits its comments in response to the December 3, 2013 *Public Notice* issued by the Wireline Competition Bureau ("WCB" or "Bureau") in the above-captioned proceeding.[1] The Bureau seeks comment on two issues related to implementation of Connect America Fund ("CAF") Phase II. Specifically, input is sought on how to calculate the five-year funding period in light of the language in paragraph 180 of the *USF/ICC Transformation Order*.[2] Comments also are sought regarding the length of the transition for carriers that would receive less money from CAF Phase II than frozen high-cost support.[3]

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[1] *Wireline Competition Bureau Seeks Comment on Additional Connect America Fund Phase II Issues*, WC Docket No. 10-90, Public Notice, DA 13-2317 (rel. Dec. 3, 2013) *("Public Notice")*.

[2] *In the Matter of Connect America Fund; a National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform – Mobility Fund*, WC Docket Nos. 10-90, 07-135, 05-337, 03-109; CC Docket Nos. 01-92, 96-45; GN Docket No. 09-51, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663 (2011) ("*USF/ICC Transformation Order*"), ¶ 180.

[3] *Public Notice* at 1-2.

DISCUSSION

With respect to the issue of how to calculate the five-year funding period for those price cap carriers electing to make a state-level commitment in return for model-based support in states where model-based support is greater than frozen support, the *Public Notice* suggests and seeks comment on several alternatives. Specifically, the *Notice* suggests that carriers could receive the remaining half of one year of annual support (1) as a lump sum on the date that is five years after the date of the initial election; (2) on a pro-rata monthly basis over the third through fifth years; (3) as a lump sum as soon as the carrier certifies that it has fully met its deployment obligations; or (4) as a lump sum as soon as the carrier files its annual report pursuant to section 54.313(e)(2) regarding completion of its deployment obligations for Phase II funded locations.[4]

ITTA supports adoption of the alternative that would provide for price cap carriers to receive the remaining one half of one year of annual support on a pro-rata monthly basis over the third through fifth years of the commitment period. This approach would maximize price cap carriers' opportunity to utilize earmarked CAF funds to deploy broadband to unserved locations as quickly as possible. If price cap carriers are able to receive the funds at issue on a regular pro-rata basis during the third through fifth years rather than having to wait as long as five years to receive the monies, they will be able to expedite scheduled (and much-needed) broadband deployment to the greatest extent possible.

Moreover, allowing price cap carriers to receive the remaining one half of one year of annual support on a pro-rata monthly basis in years three through five is the most equitable approach. The funds at issue (*i.e.*, one half of the difference between the amount of support allocated by the CAF Phase II cost model for a state and the amount of support the price carrier

[4] *Id.*

received under Phase I for that state in the previous year) have been determined by the model to be necessary to bring broadband to unserved locations in high-cost census blocks in the price cap carrier's service territory within the state. Forcing the price cap carrier to wait years to receive any of that money when the carrier's deployment obligations are not similarly deferred would not be fair.

The *Public Notice* also seeks input on the appropriate length of the multi-year transition for price cap carriers in states where they will receive less funding under Phase II than frozen support.[5] ITTA endorses adoption of a five-year transition period. Funding should be reduced by 20 percent in the first year, 40 percent in the second year, 60 percent in the third year, 80 percent in the fourth year, with the full reduction in the fifth year.

As the Bureau points out, in the *USF/ICC Transformation Order* the Commission adopted a five-year phase-down in support for competitive eligible telecommunications carriers ("CETCs"), finding that such a transition was "desirable in order to prevent shocks to service providers that may result in service disruptions for consumers."[6] The same concern applies and should govern in situations where price cap ETCs will receive less funding under CAF Phase II than they have been receiving previously. A five-year transition would allow price cap carriers to adjust and make necessary operational changes to ensure that service is maintained during the transition.

CONCLUSION

For all of the foregoing reasons, in states where model-based support is greater than frozen support the Bureau should adopt the alternative that would provide for price cap carriers to receive the remaining one half of one year of annual support on a pro-rata monthly basis over

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[5] *Id.* at 2.

[6] *USF/ICC Transformation Order* at ¶¶ 512-13.

the third through fifth years of the commitment period. In states where model-based support is less than frozen support, the Bureau should adopt a five-year transition period for price cap carriers.

Respectfully submitted,

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